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TAGS: [ECON](#) [PREL](#) [PGOV](#) [KIPR](#) [KCRM](#) [RS](#)
SUBJECT: PUTIN'S ADDRESS TO THE FEDERAL ASSEMBLY BREAKS
LITTLE NEW GROUND

REF: MOSCOW 4839

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SENSITIVE BUT UNCLASSIFIED; HANDLE ACCORDINGLY

11. (SBU) SUMMARY: President Putin's hour-long Address to the Federal Assembly on May 10 lacked the broad vision for Russia's future that some had expected. In a lengthy discussion of economic issues, he stressed national priority projects and technological development, and expressed commitment to IPR protection. He reiterated Russia's desire to join the WTO but insisted it would be done on mutually beneficial terms, whereas unidentified others were seeking to use the issue for their own political purposes. Putin devoted much time to Russia's demographic situation, describing it as the most acute problem the country faces and laying out financial benefits for child-bearing parents as among the solutions. He spoke extensively on military reform and on the need to maintain a strong military, but warned against repeating the Soviet mistake of spending beyond the country's needs on defense. Instead, Russia would pursue asymmetric approaches to ensuring its security. On the foreign policy side, he focused on Russia's "neighborhood," casting Moscow as playing a responsible role, and on reforming the UN while preserving its prerogatives. Putin did not use terms like "sovereign democracy" nor did he otherwise share any broad vision for Russia's future course. While he took a few swipes at the West -- including saying that some countries were manipulating issues like human rights for their own purposes -- he generally took the high road in a speech aimed at showing that Russia is confidently and realistically addressing its problems. END SUMMARY.

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ECONOMICS AND DEMOGRAPHICS

12. (U) Putin began his address with a lengthy exposition on economic development. Commenting that Russia continued to suffer from low public trust in both government and business, he said it was essential to tackle those problems -- then noted that he had borrowed his words of commitment from President Franklin Roosevelt. Russia must continue toward the goals he had set out in previous such speeches, including doubling of GDP, but this could only be accomplished if the conditions for fair competition, free enterprise and property rights were finally put in place. He devoted much attention to his national priority projects, which would improve Russians' well-being.

13. (U) Emphasizing the theme of technological development, Putin expressed concern that Russia's energy sector trailed far behind that of the rest of the world technologically. He noted that state-owned companies were performing well, singling out Gazprom as the world's third largest company and attributing its success in part to Russian government policies. His approach to the storm created two weeks ago by Gazprom CEO Aleksey Miller's suggestion that Russian gas would be shifted from west to east was rephrased in a less confrontational mode: "we should move into new promising markets, while at the same time...meeting our commitments to our traditional partners." Putin also stressed a need to develop Russia's atomic energy sector, space and nano-technology, all promising areas of growth where innovation was essential.

14. (U) Putin made a point of expressing his commitment to IPR enforcement, saying that "we should secure the protection of the rights of authorship within the country, and it is also our duty to our foreign partners." He also expressed continuing interest in Russian membership in the WTO. While noting that some countries sought to use WTO accession for their own, non-economic purposes, he stressed that it would take place "on terms that took Russia's economic interests fully into account." In addition, Putin spoke of full ruble convertibility by July 1 and hoped that the ruble would become a major currency on the international stage. As a first step, he called on Russia to set up an exchange to trade oil and gas in rubles.

15. (U) As expected, Putin devoted much attention to demographics, identifying it as the country's most acute problem -- and one on which little progress has been made. He cited in that regard Aleksandr Solzhenitsyn's call on the Russian government above all to "save the people." While calling for attracting ethnic Russians living abroad back to the country, he saw much of the solution to the country's demographic problems in providing substantial economic stimuli to increase the birth rates in the country. He did

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not criticize foreign adoptions, but saw the need for material incentives for caring for Russian orphans in this country.

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NATIONAL SECURITY AND MILITARY REFORM

16. (U) Putin then turned to national security. In a very brief reference to terrorism, he noted that it was often linked to ethnic conflicts, and commented that unidentified "others" hoped that Russia would get bogged down in those conflicts and thus be unable to resolve its own developmental problems. He added that some unspecified "others" (clearly the U.S.) were using human rights and democracy as a means to pursue their own interests. He also stressed the threat that terrorists could seize and use weapons of mass destruction. Putin also expressed concern about technological developments that threaten strategic stability, such as nuclear weapons in space, and called for renewed focus on disarmament. He underlined as well Russia's support for existing nonproliferation regimes "without exception," and -- presumably referring implicitly to Iran as well as Iraq -- said that "it is known that the use of force rarely brings the hoped-for results, and its consequences at times are more terrible than the original threat."

17. (U) The U.S. military budget is twenty-five times greater than Russia's, Putin said. He did not explicitly criticize that ("molodets," he said, essentially meaning "more power to you,"), but referred to a Russian fable involving a wolf that "knows whom to eat first." Russia should avoid the mistake of the Soviet Union of trying to spend as much on defense as the U.S., and instead should wisely target its defense funds asymmetrically for maximum effect. Russia had already made major strides, he continued, citing the launching of two new

nuclear submarines and the deployment of the TOPOL ICBM.

¶8. (U) As expected, Putin devoted much time to military modernization. With the camera panning several times on Defense Minister Sergey Ivanov, Putin focused on improving the prestige of military service, moving toward a professional military, and fighting negative qualities among youth -- such as drug addiction and alcoholism -- to improve the recruitment pool. He again voiced a patriotic theme, quoting the nationalist thinker Ivan Ilin.

¶9. (U) On the foreign policy side, Putin was short on details. Instead, he kept the focus squarely on pragmatic concerns, stressing Russia's relations with its nearest neighbors and its continuing reliance on the United Nations. He emphasized Moscow's interest in expanding economic cooperation in the CIS area and its willingness to help resolve regional conflicts. Acknowledging the need for CIS reform, Putin also singled out "parallel" organizations that boosted regional cooperation, such as the Union State with Belarus, the Common Economic Space, the Eurasian Economic Community (EvrAzES) and the Collective Security Treaty Organization (CSTO). Cooperation with the EU, including in the energy field, was noted, as was the importance of Russia's relationships with the U.S., China and India. Putin put in a plug for the continuing central role of the UN, noting that UN reform must be consensual and improve the organization's efficiency.

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COMMENT

¶10. (SBU) Putin's Address to the Federal Assembly was long anticipated, and, as noted reftel, expectations had run high that it would lay out a broad vision of Russia's place in the world and how it would overcome its current challenges to achieve that. In that sense, the speech fell short of expectations. It offered policy directions on some of the key challenges facing Russia, notably technological development, demographics and military reform. And it sought to demonstrate that Russia is confident of its ability to tackle its problems. But it lacked any exploration of concepts like "sovereign democracy," which some had expected to surface, or other constructs aimed at showing a broader vision.

¶11. (SBU) The address took some implicit potshots at the U.S. Most notably, it suggested that some were using human rights and democracy issues for their own political gain, and made a similar suggestion about WTO accession. Overall, however, Putin took the high road, seeking to show that Russia is dealing confidently, realistically and responsibly with its

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problems.
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